Anthem Blue Cross and Blue Shield
9133 W Russell Road
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Anthem

March 4, 2020

TO: Patrick B Ashton, Senior Policy Analyst, Assembly Health & Human Services
RE: Drug Pricing Transparency Hearing- Public Comments from Anthem Blue Cross & Blue Shield: Iman Eletreby

Members of the Committee to Conduct an Interim Study Concerning the Costs of Prescription Drugs:

I have included below my testimony given during public comment at the February 28, 2020 committee meeting. I am also submitting along with this letter the supporting reports I referenced in my testimony.

My name is Iman Eletreby and I work for Anthem Blue Cross & Blue Shield Medicaid. I have worked in the Medicaid space for the last 18 years.

A couple of years ago Anthem formed a company, IngenioRx, to provide a pharmacy solution for our members and recipients. We manage the drug formulary; we institute appropriate authorization to ensure the right drug at the right price at the right time is delivered to the patient. We negotiate retail reimbursement; we implement clinical programs and we automate prior authorizations.

Today the solutions proposed by PhRMA all are directed at the insurance companies without any real recognition or acknowledgement that it's DRUG PRICES and the increases associated with those drug prices that are resulting in these practices by insurance.

The need for copay assistance, the coupon programs, the cost sharing, the rebates, ***all emerged with the exorbitant cost increases of drugs****.*

The question posed during today's hearing was "are those rebates shared back with the consumer?" and the answer is absolutely yes. The rebates are shared back with our state customer in the form of capitation reductions.

Several studies have been published over the last couple of weeks by both the Menges Group and AHIP citing that Medicaid MCOs save $6.5B over Fee for Service programs.

Why am I talking about Medicaid? Medicaid insures 700,000 members here is Nevada, they represent one of the most vulnerable populations and are paid for and funded by all of us as taxpayers.

What does that have to do with drug prices and transparency? Who manages the pharmacy benefit is really important in terms of transparency.

There is a practice called Carve in vs Carve out. In a Carve in environment it is the MCO that is managing the pharmacy benefit. Whereas in the Carve out environment it is the Fee for Service or the state that is managing the pharmacy benefit.

When speaking about transparency, Fee for Service agencies do not disclose the prices or rebates they are negotiating for drugs, and tend to develop brand heavy formularies where they are not looking for appropriate authorization at the right time because that would preclude the rebates and they are really focused on collecting supplemental rebates.

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Thankfully, in Nevada, approximately 75% of the members that are enrolled in Medicaid are enrolled in MCOs that manage the pharmacy benefit.

Remember the slide we saw earlier today showing generic prices continuing to go down year over year as the brand prices are continuing to go up? It's critical to understand that it is because Fee for Service agencies tend develop brand heavy formularies.

Between 2011 and 2018, the generic dispensing rate in the MCO environment increased at twice the rate as those in the Fee for Service environment.

It is true that rebates increased 75% in that same time period, but so did net costs by 18%. When you look at the MCOs the net cost only increased by 0.4%.

Fee for Service or Carve out is driven by federal rebates. From 2013-2018 the net costs per prescription increased 13% more in Fee for Service than in MCOs. That in the end is translating to $6.5bn loss as Medicaid agencies.

Thank you.

Iman Eletreby,

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